

Message Text

LIMITED OFFICIAL USE

PAGE 01 BUENOS 03879 261438Z

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 L-03 STR-04 OPIC-03 /028 W

-----270306Z 055976 /72

R 261338Z MAY 77

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 0660

LIMITED OFFICIAL USE BUENOS AIRES 3879

E.O. 11652: N/A

TAGS: EFIN, AR

SUBJECT: GOA INSURANCE REGULATIONS

REF: (A) BUENOS AIRES 3569, (B) BUENOS AIRES 3607

1. CARLOS PARADISO, LOCAL AFIA REPRESENTATIVE AND PRESIDENT OF THE FOREIGN INSURANCE ASSOCIATION IN ARGENTINA, CALLED ON EMBOFF TO GIVE HIS VIEWS ON PENDING NEW GOA INSURANCE REGULATIONS. SOME OF THE MAIN POINTS HE MADE ARE:

A. THE DEFINITION OF A NATIONAL COMPANY (AT LEAST 70 PERCENT OWNED BY ARGENTINE NATIONALS OR RESIDENTS) IS MORE RESTRICTIVE THAN THE DEFINITION INCLUDED IN THE FOREIGN INVESTMENT LAW. MOREOVER, THE NEW INSURANCE REGULATIONS WILL GREATLY RESTRICT THE "RESIDENT" LOOP-HOLE CURRENTLY USED BY FOREIGN INSURANCE COMPANIES TO MAINTAIN CONTROL OF "NATIONAL" INSURANCE COMPANIES. IN THE FIRST PLACE, THE REGULATIONS STIPULATE THAT A COMPANY WILL BE CONSIDERED FOREIGN IF FOREIGNERS CONTROL, EITHER DIRECTLY OR INDIRECTLY, THE NECESSARY VOTES TO PREVAIL AT STOCKHOLDERS MEETINGS OR ON THE BOARD OF DIRECTORS. SECONDLY, A PERSON WILL BE CONSIDERED A RESIDENT ONLY IF HE HAS LIVED IN ARGENTINA CONTINUOUSLY FOR AT LEAST THREE YEARS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUENOS 03879 261438Z

B. THE NEW REGULATIONS MAINTAIN AN OLD PROVISION FROM LAW 12988 PROMULGATED IN 1948. THIS PROVISION STIPULATES THAT ALL NATIONAL OR LOCAL GOVERNMENT ENTITIES, AS WELL AS PERSONS OR COMPANIES RECEIVING BENEFITS OR TAX BREAKS FROM A GOVERNMENT ENTITY, MUST INSURE ONLY WITH NATIONAL INSURANCE COMPANIES.

ACCORDING TO PARADISO, SINCE THERE IS NO COMPANY IN ARGENTINA WHICH DOES NOT RECEIVE SOME KIND OF GOVERNMENT CONCESSION OR BENEFIT, FOREIGN INSURANCE COMPANIES ARE LEGALLY EXCLUDED FROM DOING BUSINESS WITH THE PRIVATE SECTOR. IN THE PAST, THE GOVERNMENT HAS ENFORCED THIS PROVISION LAXLY AND AS A RESULT FOREIGN INSURANCE COMPANIES HAVE BEEN ABLE TO SELL INSURANCE TO MANY FOREIGN SUBSIDIARIES IN ARGENTINA.

C. UNDER THE CURRENT REGULATIONS, FOREIGN INSURANCE COMPANIES ESTABLISHED IN ARGENTINA CAN REINSURE UP TO 40 PERCENT OF THEIR CONTRACTS WITH REINSURANCE COMPANIES ABROAD. THE NEW REGULATIONS REQUIRE THAT ALL REINSURANCE BE PLACED LOCALLY WITH NATIONAL COMPANIES -- A CHANGE WHICH WILL AFFECT ADVERSELY THE OPERATIONS OF AFIA AND OTHER FOREIGN COMPANIES (FOR EMBASSY COMMENT, SEE PARA 9, REF A).

2. COMMENT: IT IS APPARENT THAT THE U.S. AND OTHER FOREIGN INSURANCE COMPANIES OPERATING IN ARGENTINA ARE PRIMARILY CONCERNED THAT THE GOA WILL CLOSE EXISTING LOOPHOLES AND START ENFORCING INSURANCE REGULATIONS. LEGALLY SPEAKING, THE NEW REGULATIONS ARE NOT MUCH MORE DISCRIMINATORY THAN THE OLD. WE DO NOT THINK THE U.S. GOVERNMENT CAN PROPERLY MAKE REPRESENTATIONS TO MAINTAIN LOOPHOLES SUBVERTING THE INTENT OF THE LAW, NO MATTER HOW BAD THE LAW IS. WE HAVE THEREFORE COME TO THE CONCLUSION THAT A DEMARCHE TO THE GOA ON THIS SUBJECT WOULD HAVE TO STRESS LONG-LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUENOS 03879 261438Z

STANDING LEGAL DISCRIMINATION AGAINST FOREIGN INSURANCE COMPANIES RATHER THAN THE IMPACT OF THE NEW PROPOSED REGULATIONS -- AN APPROACH WHICH MAY NOT CARRY MUCH WEIGHT WITH GOA.

3. PLEASE ADVISE WHETHER DEPARTMENT STILL WANTS EMBASSY TO MAKE A DEMARCHE TO THE GOA ON THIS MATTER.
CHAPLIN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, PERSONAL OPINION, INSURANCE LAW
Control Number: n/a
Copy: SINGLE
Sent Date: 26-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BUENOS03879
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770189-0686
Format: TEL
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770516/aaaaanjq.tel
Line Count: 105
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: fd9fbc89-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 BUENOS AIRES 3569, 77 BUENOS AIRES 3607
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05-Apr-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2361391
Secure: OPEN
Status: NATIVE
Subject: GOA INSURANCE REGULATIONS
TAGS: EFIN, AR, (PARADISO, CARLOS)
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/fd9fbc89-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009